

Date: May 19, 2015

To: Thomas J. Bonfield, City Manager

Through: W. Bowman Ferguson, Deputy City Manager

From: Jina B. Propst, Assistant Director, General Services Department

Subject: Additional funding and construction contracting authority for City Hall Annex and Building Envelope Project

Executive Summary

From 2009-2014, the Capital Improvements Program (CIP) provided funding for design and renovation of City Hall envelope and associated work. The project scope addresses functional and safety issues, replacement of the City Hall chillers, and renovation of the City Hall Annex plaza. Balfour Beatty Construction, LLC (Balfour Beatty) was selected in Spring 2014 as the most qualified Construction Manager at Risk firm to perform the "City Hall Complex" Renovations Project. Balfour Beatty bid the project in Fall 2014 and construction began on December 1, 2014.

On December 15, 2014, Council authorized additional funding for the project to fund a budgetary gap resulting from construction escalation as well as two recommended alternates. These alternates included high-efficiency, lower maintenance chillers, and paving, landscaping and employee amenity improvements along Mangum Street. Throughout construction unforeseen conditions due to poor original construction have been encountered and needed to be addressed. These unforeseen conditions have occurred at every renovation location and have far exceeded the typical extent of these types of construction issues. General Services carried 4.5% construction contingency on this project and now anticipates another \$201,400 is necessary to complete the project. At time of bid opening, General Services deferred decision on a recommended lighting alternate at the main entry and Council Chambers, anticipating that funding would be remaining in the contingency to accept this alternate later in the project. The cost of this recommended alternate is estimated at \$50,000. With the offset of current unallocated funding, a total of \$179,967 in additional funding is requested.

Recommendation

The General Services Department recommends that the City Council authorize the City Manager to negotiate and execute change orders on the City Hall Annex and Building Envelope CMAR contract, provided the total project cost does not exceed \$6,345,704.00, the amount budgeted for preconstruction and construction services including the project contingency.

Background

City Hall was constructed in 1976 and the City Hall Annex was constructed in 1964. Major interior renovations and accessibility upgrades to City Hall and the first floor of the City Hall Annex as well as full roof replacement at City Hall were completed in 2009.

In May 2008, the General Services Department commissioned a study to quantify work required to address envelope-related problems at the City Hall and City Hall Annex buildings. In July 2009, City Council allocated funds for the City Hall Envelope and Annex Roof project. In September 2011, construction was completed on the City Hall Annex Roof Replacement. Initial design for the City Hall Envelope phase of the project commenced in October 2009; however, issues were identified with respect to the fiber-reinforced concrete and plywood panel cladding on the building. Further investigation determined that the exterior building panels required replacement, and that additional funds were necessary for this work. Replacement of exterior cladding will improve insulation values and energy efficiency and extend the useful life of the building. In July 2011, City Council allocated additional funds for replacement of the concrete panel cladding system.

New waterproofing at the City Hall Annex Plaza and new chillers at City Hall were installed as part of this project. The new, modern chiller equipment will improve energy efficiency, system functionality and user comfort. The new Annex Plaza waterproofing system will ensure continued integrity of the parking level below. In addition, the plaza renovation will include a new concrete topping slab, replacement of the existing non-compliant handrail system with updated guardrails and include ADA accessibility improvements.

In July 2012, City Council allocated funds through the CIP process for the replacement of the City Hall chillers and replacement of the City Hall Annex plaza waterproofing system.

On September 4, 2012, City Council approved a professional services contract with Roughton Nickelson DeLuca Architects (RND Architects) to complete design and construction documents to address three major scopes of work:

1. Renovation of City Hall Envelope (inclusive of replacement of existing concrete panel system and brick at the northwest corner);
2. Replacement of City Hall Chillers; and
3. Renovation of City Hall Annex Plaza as required to renovate waterproofing systems.

During the investigation phase in Fall 2012, it was determined that two walls of brick veneer at the northwest corner of City Hall were inadequately supported. This was a serious safety concern. Installation of anchor bolts to stabilize the exterior walls was completed as an emergency repair in February 2013. In July 2013, City Council allocated funds for the additional scope to replace the exterior walls with new brick and structural support in the unsupported area on the northwest and west elevations.

Six bids were opened on October 24, 2013. Unfortunately, the apparent low bidder failed to provide required contract compliance documents, which had the effect of detrimentally delaying the project. Supporting GSD's recommendation that the project approach should be re-evaluated and a Construction Manager at Risk (CMAR) project delivery method be used, the City Manager rejected all bids. A request for CMAR qualifications for the project was issued, six CMARs provided submittals and interviews of the top two firms were conducted. Balfour Beatty, the CMAR on the prior interior City Hall project, was selected as the most qualified.

Balfour Beatty completed preconstruction services and submitted a preliminary Guaranteed Maximum Price (PGMP) for the project. The PGMP, which included cost of work plus General Conditions, CM contingency, CM Fee and insurances/bonds, was within budget for available funds. Bids were advertised September 7, 2014 and 25 bid packages were opened October 7, 2014. The total cost of work for the apparent low bidders was approximately 23% over budget. Post-bid discussions and value engineering reduced that overage to 9%. During this process, the GSD also determined that it was in the best interests of the City to also accept two alternates, adding approximately \$300,000 in cost to the project. These alternates include higher efficiency, lower maintenance chillers and improvements along Mangum Street to simplify circulation, improve accessibility, provide additional outdoor seating for employees and complement the new aesthetic of City Hall and the Annex Plaza. Therefore, due to higher-than-expected bids and the inclusion of alternates, additional funding was required to complete the project.

The City executed a GMP#1 construction contract on November 20, 2015 for a scope of work within the budget except for the Mangum Street improvements alternate, plastering, landscaping, site pavers and Annex waterproofing. Construction began December 1, 2014. Council authorized additional funding to complete the full scope of the base-bid project plus accepted alternates on December 15, 2014. On January 29, 2015, the City executed a GMP#2 construction contract for the remaining scope of work to complete the project. General Services allocated approximately 4.5% contingency on this construction contract as funding did not allow for a preferred higher contingency. As construction progressed, multiple unforeseen conditions were encountered. Unforeseen conditions were the result of deferred maintenance and poor original construction. Original building drawings showed no indication of many of the poor construction details encountered. These unexpected issues needed to be properly addressed prior to completion of the project scope.

Issues/Analysis

Despite the large extent of unforeseen conditions and delays in material delivery, the project has remained on schedule and is expected to be completed at the end of summer. Balfour Beatty has excelled at dealing with daily schedule adjustments and logistical/phasing challenges due to taking time necessary to analyze and implement complex solutions to the many unforeseen conditions and structural issues.

Currently the project is approximately 45% complete. Anticipated unforeseen conditions have been identified and roughly estimated. Additionally, General Services recommends replenishing the contingency to address as-yet-unknown issues to cover the remainder of the project. Known unforeseen conditions are only estimated at this time. Construction details to resolve these conditions may increase or decrease the actual costs. This funding request is based on conservative estimates that will be fully vetted and negotiated during the review process. Unused funding will be returned to the City.

As part of this funding request, General Services also recommends acceptance of the “fin” lighting alternate. At the time of bid, General Services did not recommend this alternate for acceptance, instead anticipating having sufficient funding in the contingency once the project was 50% complete to accept it. The large extent of unforeseen conditions does not make this an option. The lighting alternate will light the fins located on the Council Chambers drum as well as the fins located at the main entry. The City Hall Annex and Building Envelope project is a high profile project located on a prominent street. For aesthetics, wayfinding and identification of this center of City government, General Services recommends funding the lighting alternate.

The breakdown of this funding request is as follows:

Predicted/Known unforeseen conditions – estimated	\$201,400
Replenishment of owner construction contingency	\$50,000
“Fin” lighting alternate (includes estimate for escalation)	\$45,000
Subtotal of anticipated shortfall	\$296,400
Current unallocated funding/remaining contingency	(\$72,533)
Remaining Unit Allowances within CMAR contract	(43,900)
Total funding request	\$179,967

Alternatives

General Services staff recommends allocating additional funding for the project so that the project can be completed as designed. Completing the project in full to prevent future short-term maintenance and repair issues is the only viable alternative.

Financial Impacts

The FY 2015-16 General Capital Improvement Project Ordinance will be coming before Council during this agenda cycle. The Budget department is including the appropriation of the additional \$179,967 to the existing City Hall Annex and Building Envelope CMAR contract (Project CC210).

Project Funding Sources

Existing Project Funding		\$7,290,751
Additional Funding Request	Unused Church Street Deck repair project funds	\$107,967
	Deferred Maintenance	\$72,000
Total Project Funding		\$7,470,718

Funding Uses Summary

Design:		
Design Services		\$882,343
Design Contingency		\$10,000
Total		\$892,343
Construction:		
Pre-Construction Contract		\$22,380
Construction Contract – GMP#1		\$5,064,152
Construction Contract – GMP #2		\$748,923

Change Order #1		\$117,810
Change Order #2		\$124,930
Construction Contingency*		\$252,500
Owner Costs*		\$247,680
Total		\$6,578,375
Funding Uses Total		\$7,470,718

**Unused funds will be returned to the City.*

SDBE Summary

This item is a funding request and was not reviewed by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. SDBE participation requirements are in place for construction related to this project.